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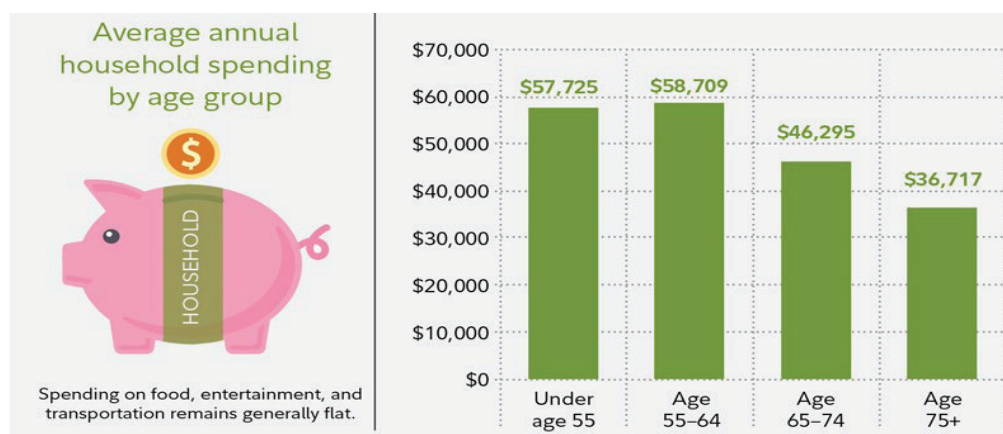
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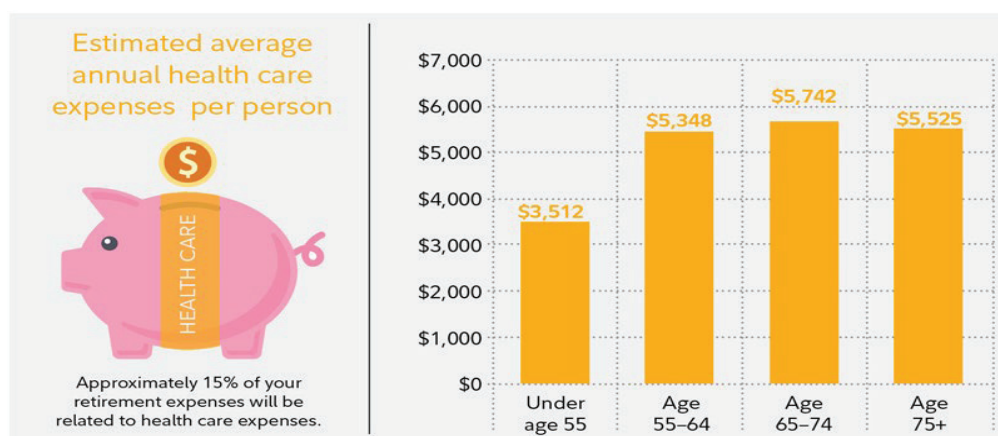
HOW MUCH DO RETIREES SPEND?

As people age, their spending patterns change, according to an analysis of Bureau of Labor Department data¹. On average, US households under age 55 spend almost \$58,000 a year on a wide variety of expenses. Starting at age 55, spending tends to increase slightly, as some younger retirees travel or take on new pursuits. In the age range when most are retired at 65+, there is a significant drop in overall spending. (see chart below)



Source: CEX data; 2017, annual US household spending by age group.

Many retirees will pay less in spending than in their working years. In categories such as taxes, education, food, and housing, spending dropped in retirement. However, there are other expenditures that rise in retirement years as well such as reading, cash contributions / gifts and healthcare. Below the chart shows the average increase in healthcare for retirees per age group.



Source: CEX data; 2017, annual US household spending by age group.

Knowing a tentative spending plan is important when planning for your retirement. On average retirees have the following yearly expense breakdown: 33% on housing, 15% on transportation, 12% on food, 13% on healthcare, 6% on gifts / contributions, 5% on entertainment, 5% on personal taxes, to name a few.²

Putting together your own retirement spending plan and budget is the best way to know if you have saved enough for these increasing or decreasing costs of retirement. Knowing when and if you will need to make adjustments to your spending habits can help give you the confidence to live the retirement lifestyle that you've been planning for.

Sources

- 1) Bureau of Labor Statistics, Consumer Expenditures data; 2017 / Consumer Expenditure Study, by age
- 2) Estimate based on a hypothetical couple retiring in 2019, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes: cost basis is assumed to equal market value. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

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